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**MR. KEYNES**

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**ANSWERED**

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*An examination of the  
Keynes Plan, by  
Emile Burns*

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*AN EXAMINATION OF THE  
KEYNES PLAN*

BY  
**EMILE BURNS**

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MR. KEYNES ANSWERED  
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On the opening page of his book "*How to Pay for the War*," Mr. Keynes prints an extract from the "*Drapier's First Letter*," in which Jonathan Swift asked readers to "read this Paper with the utmost Attention." The following quotations from other writings of Swift are equally appropriate at the head of this examination of Mr. Keynes's case:

"Therefore to let you see how this case is represented . . . I have thought it proper to extract out of that Pamphlet a few of those Notorious Falsehoods in Point of *Fact* and *Reasoning* contained therein; the knowledge thereof will confirm my Country-men in their *Own Right Sentiments*, when they will see by comparing both, how much their *Enemies are in the Wrong*.

(From the *Drapier's Fourth Letter*.)

"With these Measures fell in all that sett of People, who are called the *Monied Men*; such as had raised vast sums by Trading with Stocks and Funds, and lending upon great Interest and Premiums; whose perpetual Harvest is War, and whose beneficial way of Traffick must very much decline by a Peace."

(From *The Conduct of the Allies*.)

## PREFACE

IN three articles published in *The Times* of November 14, 15 and 28, 1939, Mr. J. M. Keynes put forward a plan for financing the war by means of what he then called quite bluntly "compulsory savings." Now Mr. Keynes has written a book *How to Pay for the War*, in which he makes a number of additional proposals and argues his case at some length. The central point of the plan is still "compulsory savings," although these are now called "deferred pay," evidently in the hope that this change of name will make what is proposed more acceptable to the workers.

The Press has given considerable attention to the plan, and it is being widely discussed in the Labour Movement as well as in Government circles. It is therefore of the greatest importance to the working class—and to the middle classes, who would also be hard hit by the plan—that the detailed proposals, and the arguments by which Mr. Keynes supports them, should be carefully examined. This book has been written for this purpose.

The proposals, briefly stated, are:

1. "*Deferred Pay*." Employers are not to pay workers what they have earned, but to deduct certain amounts from the wages of single workers earning over 35s. a week, and of married workers earning over 45s. a week, the amounts so deducted being credited



to the workers. The effect on the pay packet would be:

	Weekly earnings	Stopped by employer	Balance drawn by worker
	s.	s. d.	s. d.
Unmarried worker	45/-	3/6	41/6
	55/-	7/-	48/-
	75/-	14/-	61/-
	80/-	15/9	64/3
	100/-	22/9	77/3
Married worker	55/-	3/6	51/6
	75/-	10/6	64/6
	80/-	12/3	67/9
	100/-	19/3	81/9

Similar deductions from pay are also to operate for salaried workers, and in fact for everyone, the amount deducted rising with the income. What the employer is to do with the amounts deducted from the pay packets of his workers is explained later; in general, however, the worker will only have the use of them after the war, in instalments at dates decided, not by the worker, but by the Government.

2. *Allowances for Children.* The State would pay a weekly cash allowance of 5s. for each dependent child, so that the married wage earner with one or more children under fifteen would have the allowance to set off against the deduction from his pay packet.

3. *Increased Taxes.* Workers and others with under £250 a year income would contribute £150 million a year in increased taxes, including the additional taxes already imposed since the war. (Mr. Keynes gives no details, but mentions a sales tax.)

4. *Higher Prices.* The workers are also to have their real wages cut down by a rise in prices which would increase the cost of living by 5 per cent., without any corresponding increase in wages.

5. *The "Iron Ration."* From the present list of items on which the official "cost of living index" is calculated, a shorter list is to be selected, and the Government is to keep down the prices of these selected items. The workers are to undertake not to ask for higher wages so long as *these selected items* (the "iron ration") do not rise in price (however much the prices of other items, including those formerly taken into account in calculating the "cost of living," may rise).

6. *Capital Levy.* There would be a capital levy *after the war*, and the proceeds would be used to pay back to the workers what had been taken from them as compulsory savings or "deferred pay."

The drastic effects of the plan on the workers' standard of living are apparent, and Mr. Keynes evidently realises that it will meet with strenuous opposition. Therefore he endeavours to persuade the working class that, drastic as the medicine may be, it is the very best that can be had, and is not really as nasty as any alternative would be.

He is able to make his argument plausible by basing it on a number of completely false assumptions, which are examined in detail in the following chapters. One, however, may be mentioned here: the assumption that the maximum possible output has been reached, whereas everyone knows that there are a million and a



half *registered* unemployed. But all his figures, and his attempts to show the "social justice" of his scheme, depend on this assumption. In fact, in his article in *The Times* of November 28, 1939, Mr. Keynes himself wrote:

"The need for compulsory saving depends on the assumption that we are straining our resources to the utmost, so that an increase of consumption is not physically possible."

Nevertheless, this is far from the only false assumption made by Mr. Keynes, and in view of the fact that he is busily advocating his scheme among the leaders of the trade unions and in Labour Party and Co-operative circles there is a very grave danger to the working class if all the implications of the Keynes plan are not fully understood.

EMILE BURNS

March, 1940.

## CHAPTER I

### THE PROBLEM AS PRESENTED BY MR. KEYNES

MR. KEYNES opens his first chapter with the sentence:

"It is not easy for a free community to organise for war."

So he has written his book to help the "free community" solve the difficult problem of paying for the war. His aim, he assures us, is to propose

"a plan conceived in a spirit of social justice, a plan which uses a time of general sacrifice, not as an excuse for postponing desirable reforms, but as an opportunity for moving further than we have moved hitherto towards reducing inequalities."

The idea of moving *further than we have moved hitherto* towards reducing inequalities is not one that will arouse great enthusiasm. Have we ever moved in this direction? Statistics show clearly enough that we have not.

The investigations of Professor G. W. Daniels and Mr. H. Campion of Manchester University show that before the last war (1911-13) the number of fortunes exceeding £100,000 was between 5,000 and 6,000, covering 22 per cent. of the total national capital. By the 1924-30 period, the number of fortunes over



£100,000 ranged between 10,000 and 11,000, and formed  $23\frac{1}{2}$  per cent. of the national capital. In the 1911-13 period, unemployment was at most in hundreds of thousands; in the 1924-30 period, it was in millions, reaching  $2\frac{1}{2}$  millions at the end of 1930. The general picture has not changed since.

If this is true of the piping times of peace, is the situation any different in war-time? Mr. Keynes speaks of it as "a time of general sacrifice." Is it? True, it is as yet too early for the facts about the profits of this war to have leaked through to the public in the form of statistics. But some of us can remember the last war. We can turn up the figures, and find that the *excess* profits for the war years (up to March 31, 1919) were assessed by the Commissioners of Inland Revenue at £1,480,000,000. After the war, the War Wealth Committee estimated the increase of private fortunes during the war at £4,000 million. We can recall gigantic fortunes that were made, for example by the Runciman family, who sold each £1 share held in the Moor Steamship Line for £14. Is there the slightest reason to suppose that a similar process is not going on now?

In his preface, Mr. Keynes says:

"So far from there being a natural tendency to raise prices in response to an unsatisfied demand, manufacturers and retailers are as reluctant to charge higher prices except in response to an actual rise in cost as the public are to pay them. . . . With the Excess Profits Tax, they have less inducement than usual to maximise profits."

It is probably quite true that, in general, retailers

are reluctant to charge higher prices, and only do so because the manufacturer or wholesaler has raised the price to them. But by the phrase "manufacturers and retailers" it is clear that Mr. Keynes means the reader to understand the capitalist class as a whole; and as applied to the capitalist class as a whole, particularly the directors of the big trusts which have established monopolies in every industry and trade, the statement is nothing more and nothing less than another of the completely false assumptions on which Mr. Keynes builds his case. Think of the armaments manufacturers, the makers of torch batteries, the cotton dealers and manufacturers who have pushed up the price of cotton to such effect that the price of the Lancashire Cotton Corporation shares, for example, rose from 11s. on August 31, 1939, to 20s. on January 10, 1940.

And as for the capitalist class having "less inducement than usual to maximise profits" because of the Excess Profits Tax, this is the exact opposite of the truth. Precisely because of the Excess Profits Tax of 60 per cent., there is every inducement to the capitalists to make extra profits on such a scale that what is left after paying the tax is a very considerable amount. They even have the "patriotic" inducement to do so, because the greater their profit the greater their contribution to what Mr. Keynes calls "the national effort"—they pay a bigger sum as Excess Profits Tax, and they have a larger amount left over to lend to the Government!

And finally, there is the experience of the last war to go on: in spite of an extremely severe Excess Profits Tax, £1,480,000,000 of excess profits were recorded



although it is common knowledge that as many ways of evading Excess Profits Tax were found as there were of evading supertax.

Mr. Keynes, as we saw above, claims to be putting forward a plan which uses the war, "not as an excuse for postponing desirable reforms," but to do something towards social justice. If he is to be taken literally, the reader of his book would expect this remark to be followed by plans for raising old age and widows' pensions, allowances to dependants of men in the forces, unemployed benefits, and so on. But throughout his plan, "conceived in a spirit of social justice," there is *not one word* to suggest anything of the kind. In fact, his whole argument is of such a character that the conclusion to be drawn from it is that in no circumstances could "the free community" afford any additional expenditure on such items.

Continuing his completely misleading approach to every question, Mr. Keynes observes:

"We shall, I assume, raise our output to the highest figure which our resources and our organisation permit" (p. 2).

Why does he make this assumption? In order to try to deceive the working people of the so-called "free community" into believing that, if there is a shortage of anything, it is because there couldn't possibly be any more. Starting off with the assumption that the maximum possible is being done, Mr. Keynes develops his argument to arrive at the following conclusion:

"In peace-time, the size of the cake depends on the amount of work done. *But in war-time the size of the cake is fixed.* If we work harder, we can fight better. *But we must not consume more,*" (p. 4).

Once again, what are the facts? That five months after the war started, after a million men or more had been called up for the forces, and probably another half million were engaged on civilian defence and various other forms of non-productive war service, the number of *registered* unemployed was a quarter of a million higher than before the war started.

Far from "our" output being raised to the highest possible level, the number of registered unemployed was a million and a half: and as for other productive resources, it is common knowledge that Government contracts are being given primarily to the bigger concerns, while smaller plants are idle or slack.

Moreover, this is not accidental or the result of bad organisation. It is because the big firms have a very good organisation—so good that the sections of the Ministry of Supply dealing with particular industries are for the most part controlled by directors of the biggest firm in the industry concerned. The Controller of Steel early in the war was Sir Andrew Duncan, President of the British Iron and Steel Federation, and a director of the Bank of England (he has since been appointed to an even more commanding position—President of the Board of Trade). The Controller for Non-ferrous Metals was the Managing Director of the British Metal Corporation and twenty-one other companies. Aluminium was controlled by a director of the British Aluminium Co., Ltd. And so on.



It is not to be wondered at that the smaller firms found it necessary to form the Manufacturers and Producers Federation to protect their interests, in view of the fact that, as the Chairman of the Federation put it at a Yorkshire meeting:

"Some of the big firms were even extending their works, while the resources of the small firms were not being utilised. . . . The production of munitions was being delayed, while the small manufacturer who was being neglected was faced with starvation" (*Manchester Guardian*, January 25, 1940).

At any rate the workers employed by the smaller firms are faced with starvation. In order to maximise, not production, but the profits of the larger concerns, production is as far as possible concentrated in their factories, where rationalisation has reached a high level and less labour is used per unit of output—which means increased unemployment in the country as a whole. The tale of unused men and factories or of short-time working runs through all parts of the country and all industries.

Take, for example, the case of the coal shortage in the towns, which first became obvious in the extremely cold weather at the end of January and the beginning of February, but which existed before that, and still continues in March. It is quite true that heavy snow in that period made the transport of coal difficult. But if a serious examination is made of the conditions leading up to the shortage, other factors cannot be ignored: the deliberate restriction of production over many months and years, in order to keep up the price

of coal; and the fact that, apart from widespread short-time working, the following numbers of coal-miners were officially registered as unemployed in the three months preceding the cold snap: November, 1939, 62,000; December, 1939, 72,000; January, 1940, 61,000.

Another striking case of how capitalism holds back production is the story of tin. It is true that the tin concerned is mainly produced in Malaya, but when the question of the maximum resources available for Britain is under discussion, production in Malaya is as relevant as production in Cornwall. For many years the output of tin has been restricted in order to keep up the price. In September last, the output quota was restricted to 70 per cent. With the outbreak of war, the quota was raised to 100, and the price jumped from £230 to over £270 a ton (it is said that the cost of production in efficient mines in Malaya is under £100 a ton). The output quota was continued for the first quarter of 1940 at 100 per cent. But the price settled to about £250 a ton. The result is that the output quota for the June quarter has been reduced to 80 per cent. in order to keep the price from falling further. It is estimated that this reduction of the quota will throw some 20,000 tin-miners in Malaya out of work. And this is the middle of a war, when "we" are supposed to be making a "maximum effort," and workers are called upon to make sacrifices because "the size of the cake is fixed."

When, therefore, Mr. Keynes suggests that the maximum effort has not yet been reached because of "a failure of organisation," he is not merely



understating the facts, he is deliberately avoiding them, because they would not help him to put across his plan as a necessary sacrifice on the part of the workers.

In capitalist society, production is carried on, not for the sake of enlarging the "cake" for distribution to the people, but for the purpose of profit. When capitalism develops to the stage of imperialism, and all important spheres of production and distribution are controlled by great trusts closely linked with the banks, the effects of production for profit are intensified. For the people who control output policy are the directors of the trusts and the banks, and what they are concerned with is not profit for the capitalist class in general, but profit for the big trusts and banks. The monopolies are able to increase their profits, not by producing more, but by organising, often with the help of the State, so that less shall be produced. In a war situation their association with the State is closer, and the power they exercise over output and distribution policy is greater. Therefore the assumption made by Mr. Keynes, that output is raised to the highest possible figure, is false, not only at present, owing to "a failure of organisation" as he puts it, but at all times, in war as well as in peace. (On a later page, Mr. Keynes admits that production is "not yet" as high as it might be.)

Yet it is on the assumption that the maximum possible production has been reached that the whole argument about the fixed size of the cake is based, with the conclusion that "we must not consume more."

Then Mr. Keynes holds out the magnificent prospect that on his plan:

"The wage and salary earner can consume as much as before and in addition have money over in the bank for his future benefit and security."

What is this "money over in the bank"? How did it get into the bank, anyway, and who put it there? As we read on, we find that this phrase is really the most attractive way he can find of presenting the workers with the proposal that a part of their pay shall be stopped by the employer. The "money over in the bank" is in fact what he now calls "deferred pay," but in his first articles in *The Times* was openly called "compulsory savings."

This is how Sir Robert Kindersley, President of the National Savings Committee, described Mr. Keynes's attempts to disguise the real nature of his plan:

"When Mr. Keynes first put his proposals forward, he explained them in all their misshapen nakedness and found they made no appeal, so he dressed his scheme up in a prettily beflowered frock, hoping thus to disguise the misshapen limbs below" (*News Chronicle*, March 9, 1940).

This, of course, is only departmental jealousy between the "voluntary savings" and the "compulsory savings" departments; but it is a good hit at Mr. Keynes.

However, having let the cat out of the bag, Mr. Keynes goes on to argue that, although it may not be a very attractive beast, at any rate there's no getting



rid of it now. The argument runs like this: it is not possible to pay for the war out of taxation alone, therefore some part of the cost must be met by borrowing. But what is borrowing? It is, he says,

“only another way of saying that a deferment of money expenditure must be made by someone.”

This is only another way of telling the old story of the capitalist economists, that the capitalist is the virtuous man who, instead of wasting his substance on riotous living, has “abstained” from spending and therefore has money. When a rich man lends to the Government, it means no “deferment of money expenditure.” The millionaire can spend what he likes on food and drink and every luxury he can think of, and yet he has money to invest. The aim of capitalist production is not to cover the capitalist’s personal expenditure. That is incidental, and the more riches accumulate in the hands of a small number of extremely wealthy people, the more incidental their personal expenditure becomes. The real purpose of capitalist production is the accumulation of profits to serve as new capital, new means of exploiting more labour and thus securing greater profits in the following year. Sometimes the method is direct, setting up additional works or plant and hiring additional labour; sometimes it is indirect, lending the money to someone else or to the Government; but in any case the process has nothing whatever to do with “deferment of money expenditure.”

On the other hand, the worker sells his labour power to the capitalist in order to get enough money

for himself and his family to live on. In his case, “deferment of money expenditure” means in the great majority of cases that he and his family go short of the necessities of life, or at the very least sacrifice such amenities as he and his fellow workers have been able to win, over and above the bare minimum standard of existence, by trade union organisation and struggle.

As usual, Mr. Keynes wraps up Government borrowing in the mystical phrase “deferment of money expenditure by someone,” in order once again to cover up the difference between the capitalists and the workers, and to convince the workers that it is only “equality of sacrifice” if they as well as the capitalists suffer a little “deferment of money expenditure,” *alias* deferred pay, *alias* compulsory savings—in plain English, a stoppage from wages.

But in case some of the workers might even at this point not be bamboozled, Mr. Keynes then begins to bluster and threaten.

If you don’t accept this, he says in effect, worse will befall! Prices will rise, “which merely means that consumers’ incomes pass into the hands of the capitalist class.” (Here he is clearly using the word “consumer” as equivalent to worker, and the worker may well ask: When did my income *not* pass into the hands of the capitalist class?) However, Mr. Keynes proceeds with his warning, and works up to the climax: if the workers don’t accept compulsory savings, prices will rise, and the capitalists alone,

“instead of all alike, would be the principal owners of the increased National Debt—of the right, that is to say, to spend money after the war.”



"All alike"—that is, capitalists and workers—would be owners of the National Debt if Mr. Keynes's plan can be put across! The humble 5s. a week that a worker might have had stopped out of his pay would have the privilege of jostling the £5,000,000 which, according to the Press of March 9, 1940, the Prudential put into War Loan. Doesn't that make the honest worker's heart swell, to think that both he and the Prudential would "all alike" own the National Debt!

To round off the illusion, Mr. Keynes defines the National Debt: "the right, that is to say, to spend money after the war." It is almost incredible that Mr. Keynes should think that any worker could accept that definition. Even though the workers may not be distinguished Cambridge economists, they know the National Debt for what it is. They know that it is the right, not "to spend money," but to rob money, to rob the working class of the fruits of its labour to the tune of several hundred million pounds a year, to rob the old age pensioners of increased pensions, the unemployed of adequate benefits, working-class children of food, clothing, health and life itself. After the last War, the owners of the National Debt took a million pounds a day from the people;<sup>1</sup> after this war, they hope to double the amount. They will press for their million pounds of flesh, and if their class still rules Britain they will stop education, health,

<sup>1</sup> The National Debt at the end of last War was just over £7,000 millions, on which interest and other charges amounted to £350 millions a year. By conversions and other methods, the Debt has since been increased to £8,000 millions, but the annual charge lowered to £230 millions.

housing and every social service rather than forgo one penny of their interest.

The working class has no interest in joining the robbers, in having a share in the loot that is robbed from itself through the National Debt.

However, having developed his argument, Mr. Keynes then addresses himself to the trade unions. If the workers don't "defer expenditure," he says, prices will rise, and therefore:

"A demand on the part of the Trade Unions for an increase in money rates of wages to compensate for every increase in the cost of living is futile, and greatly to the disadvantage of the working class. Like the dog in the fable, they lose the substance in gaping at the shadow."

Mr. Keynes should be a little more careful with his illustrations. For what was it that happened to the dog in the fable? He had a bone, and might have eaten it. But he "deferred his consumption," in the hope of getting a larger bone, and as a result he lost the lot. This is precisely what Mr. Keynes wants the working class to do: to defer the substance for the shadow of "money in the bank after the war."

But the working class, in demanding wage increases to compensate for cost of living increases, is declaring that it wants to eat the bone *now*. It wants the whole bone, and is not prepared to let the employing class take pieces off it, *either* by raising prices without raising wages *or* by compulsory deductions of wages.

Nor is it prepared to accept Mr. Keynes's "say-so" that any such attempt is futile. It knows that whether



it succeeds in defending its conditions or not does not depend on Mr. Keynes and his alleged economic laws, but on the laws of class struggle, on the organisation and fighting spirit of the working class.

But Mr. Keynes does at least know his trade union leaders. After all, is he not widely advertised as economic adviser to the T.U.C., and has he not expounded his views to them after lunch at the National Trade Union Club? So his opinion of them is entitled to some respect. And this is what he says of them:

"In their minds and hearts the leaders of the trade unions know this [i.e. that it is futile to demand higher wages to keep up with the rising cost of living] as well as anyone else. *They do not want what they ask.*"

If any Communist had said this, the whole of the General Council would immediately have started proceedings for libel. But Mr. Keynes is a friend. And he only says this in order to add that the trade union leaders

"dare not abate their demands until they know what alternative policy is offered. This is legitimate."

Which is another way of saying that they dare not abate their demands until someone can suggest a formula which will bamboozle the workers.

It has been necessary to take Mr. Keynes's first chapter to pieces and examine the pieces carefully, in order to show that the argument on which he bases his "plan" is false from beginning to end. By using such phrases as "deferment of money expenditure" when he means stoppages out of wages, by talk of a free

community when he means British capitalist society, and by persistently blurring the differences between the capitalists and the workers, Mr. Keynes throws out a smoke-screen through which he hopes the working class will not be able to detect what he is really doing.

What he has written in this first chapter is not economics. It is straight propaganda for the ruling class.

In the Preface to the second edition of *Capital*, Marx speaks of the decay of bourgeois political economy as a science after the capitalists had conquered power. He says:

"It was thenceforth no longer a question, whether this theorem or that was true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not. In place of disinterested enquirers, there were hired prize-fighters; in place of genuine scientific research, the bad conscience and the evil intent of apologetic."

Mr. Keynes has always been the hired prize-fighter of capital, though his gloves, as befitted the delicate character of his job, were of the finest kid. Now, in this extreme crisis of British capitalism, "the bad conscience and the evil intent" of his work come even more clearly to the surface.

As we shall see, the first chapter of his book gives the foretaste of what follows.



## CHAPTER II

THE CHARACTER OF THE KEYNES  
PROPOSALS

MR. KEYNES heads his second chapter, "The Character of the Solution," and his third chapter, "Our Output Capacity and the National Income." The general argument merely repeats the argument of the first chapter: that the size of the "cake" is limited; that, therefore, we must not consume more now; that if we do, there will be inflation; but, if we adopt his scheme of compulsory savings, we shall have something to consume after the war; and, in order to make the proposal more palatable, those most in need may be allowed to consume a little more, provided that it is taken from the other workers, so that there is no total increase in consumption.

As in the first chapter, Mr. Keynes supports his case by a number of completely false statements, whose only purpose is to create an "atmosphere," otherwise known as "fog," to dull the mind of the reader before the final operation.

His first statement is that, even if there were no increases in the rates of money wages, the total of money earnings will be considerably increased

"by the greater number of insured men engaged in the services and in civilian employments, by overtime, and by the movement into paid employment of women, boys, retired persons and others who were not previously occupied" (p. 8).

Now this is not at all a self-evident proposition, and Mr. Keynes does not produce a single figure to prove it. On the other hand, he does not mention *any* of the facts which tell the other way. Take, for example, the question of the men in the Services. Apart from exceptional cases, there can be no doubt at all that men who have had to leave ordinary employment to go into the Services have suffered a very heavy reduction in money earnings, even after taking into account the miserable allowances to their dependants. There are no statistics to show how much this reduction of earnings amounts to, but no one can doubt that it is an important item.

Then as for the greater number of men engaged in civilian employments, this is an assumption so much at variance with the facts that only "bad conscience and evil intent" could explain how a distinguished economist, who is supposed to deal with economic facts, could make it. It is known that five months after the war started the number of *registered* unemployed was a quarter of a million higher than in August last. And this is only a part of the story. There are very large numbers of people, formerly in their own trade or profession with the normal earnings of their calling, who have had to take jobs of some other kind—in A.R.P., other civil defence, or in industry—at very much lower rates of wages. There are very large numbers of these people who have not been able to get any job at all.

Then take "the movement into paid employment of women, boys, retired persons and others who were not previously occupied." So far as this movement has



taken place, what does it mean from the standpoint of money earnings? Remember that it is not an *addition* to the total number of employed workers, but a *substitution* of low paid labour for relatively highly paid labour, with a *net* increase in unemployment of a quarter of a million. Is it not obvious that the net effect of this substitution must be a reduction in the total money earnings of the workers?

So that while it is undoubtedly true that a considerable amount of overtime is being worked, and that the earnings of workers in the armaments industry and a few other industries have increased (with a more than corresponding increase in output, and at the cost of an enormous amount of additional labour and physical exhaustion), nevertheless, it is not by any means certain that the increased earnings in these industries actually exceed the reductions in earnings for other sections indicated above. In other words, *the point from which Mr. Keynes starts is a false point.*

For the argument is: the workers are getting higher money earnings, but "the size of the cake" is limited, therefore, unless something is done to take these higher money earnings away from the workers, their increased demand will lead to higher prices and inflation.

In fact, although there are no statistics available of total money earnings, the shopkeepers know well enough that the working class has less, not more, money to spend, outside of a few specially busy areas. The fact, admitted by the Government, that the bacon ration was not taken up and the general experience that the butter ration is not taken up are real indications of what is happening.

Yet Mr. Keynes assumes (p. 15) that there is, or will be shortly, an increased output of  $17\frac{1}{2}$  per cent., resulting in an increased wage total of £425,000,000. It is this alleged increase of £425,000,000 that his scheme is devised to take away from the workers. (It must be noted that all through his book he is talking in terms of pre-war prices, so that the increase in wages due to increased cost of living does not affect his argument; the £425,000,000 extra wages which he estimates the workers will earn are due to overtime, additional workers in employment, and more intensive work.)

It is true that he admits (p. 15) that "no such rise in output has taken place as yet." And if it has not taken place, what then? It means that Mr. Keynes's scheme *in fact* is not even to take away *additional* earnings from the workers (vicious enough as that would be). His scheme is devised to take away from the working class £425,000,000, which he "assumes" they have earned, but which in cold fact they have not earned; in other words, *to carry through a drastic reduction in the standard of living of the working class.*

In order to minimise the facts which tell against him, Mr. Keynes uses the familiar method of describing them under false names and then pretending that they don't exist. On p. 18 he finds it necessary to admit that, instead of full employment, there is unemployment. But what sort of unemployment? Not, dear reader, just unemployment. His actual words are:

"After six months of war there still persists a substantial volume of *statistical unemployment.*"



If Mr. Keynes is alive after three years of war, he may be able to record that there is a substantial volume of statistical death and destruction, statistical hunger and misery, and so on.

He goes on to minimise this "statistical unemployment" by saying it is partly unavoidable, partly avoidable, and, anyway, "the nature of unemployment is totally different from what it was a year ago." In what way? "It is no longer caused by a deficiency of demand." It is due to the difficulty of "shifting labour to the points where it is wanted" or to "difficulties, other than the shortage of labour, in the way of existing demand becoming effective."

*Not one word* about the deliberate policy of the Government and the big monopolies; about the Government's refusal to allow local authorities to carry out building plans, about the concentration of production in the factories of the big concerns, and refusal to place orders with the smaller concerns; about the compulsory restriction of production of bacon, butter and other products. No, for Mr. Keynes it is just a little series of accidental difficulties that keeps a million and a half unemployed; and, after all, they are only "statistically" unemployed, so we can ignore them!

But before passing on to the actual content of his proposals, Mr. Keynes promises that his plan will have at least one merit:

"It reduces for the average man the necessity for a continuing perplexity how much to economise and for thinking about such things more than is good" (p. 10).

Could there be a more self-revealing indication of the smug, middle-class character of his mind? The "average man" he assumes to be an imitation of himself—comfortably off, never having to worry about the rent or where his next meal is to come from; but being "patriotic," wondering whether he is "doing enough for his country" by economising, and worrying about it "more than is good."

What would be the real effect of Mr. Keynes's plan, if put into effect, not for the average Mr. Keynes, but for the average worker, and particularly for the worker's wife? The effect of the compulsory stoppages from pay will enormously increase the "perplexity," not how much to economise, but how to make the money that is left buy what is absolutely necessary for the family. They will have to continue "thinking about such things more than is good." And what they will think about Mr. Keynes (and about the trade union leaders if they support Mr. Keynes), if they know they have to thank him for it, had better be left to the imagination.

### CHAPTER III

#### A PLAN FOR THE POOR TO SUBSIDISE THE POOR

MR. KEYNES's plan has been briefly indicated in the Preface; here it is examined in so far as it affects the working class (to be exact, those with incomes under £250 a year):



They are to pay increased taxes to the tune of £150,000,000 a year; this is dead loss, and he does not even pretend that they get anything out of it.

Through the "relative rise in the cost of living," they are to lose a further £125,000,000; this also is dead loss, making a total of £275,000,000 dead loss, or a reduction of close on 10 per cent. of what he estimates was the total income of the people with under £250 a year before the war.

They are to suffer "deferment of earnings" by stoppages from their pay packets, estimated to amount to £250,000,000 a year. This is dead loss to them now, although he promises it to them after the war. As far as their present circumstances are concerned, their total loss, combining what they pay extra in taxes, what they lose through increased prices and what they get stopped out of their pay, amounts to £525,000,000, or about 17½ per cent. of what he estimates was their total income before the war.

As against this, however, he proposes that those workers with children under fifteen should get children's allowances of 5s. per child. On the other hand, unemployment benefit and assistance in respect of children is to be cut off, so that the net gain to the working class from these proposed children's allowances comes to £100,000,000, or about 3 per cent. of the total working-class income before the war. This leaves a net loss to the working class, if all the four proposals operate, of 14 per cent. in its standard of living.

But how is this? the reader may ask. Didn't Mr.

Keynes say it was a scheme for "reducing inequalities"?

Yes, indeed he did, on p. 1 of his book. And it was to be a plan "conceived in a spirit of social justice." And on p. 12, waxing eloquent about his plan, he says it is like a rule of the road—"everyone gains and no one can lose." "Under this plan people will consume as much as before." On p. 34, the plan succeeds "in making the war an opportunity for a positive social improvement."

How then does he reconcile what in fact is the net cut of 14 per cent. which he proposes with all these statements? This is quite simple—for Mr. Keynes. He has up his sleeve the £425,000,000 alleged increase in working-class incomes from additional employment, overtime, and speeding up, the fraudulent basis of which we examined in the last chapter. He produces this alleged £425,000,000, adds it to the £100,000,000 of children's allowances, and thus makes up a total of £525,000,000, which is what he would take from the workers: so they would be neither better nor worse off, he argues. Q.E.D.

Before we come to details, what does this mean? That this plan "conceived in a spirit of social justice," the plan that is to "reduce inequalities," is really a plan to *level out poverty*, to make the poor subsidise the poor, to take away from the workers a sum equivalent to the extra earnings of those who work overtime and are speeded up, and to use this amount partially to "improve the economic position of the poorer families" (p. 34). It is clear that Mr. Keynes regards the fact that some workers are earning more



than others as a crying social injustice, which must at all costs be remedied "even during the war."

Now let us examine the proposals in detail.

*Increased Taxes.* Mr. Keynes is not too precise as to what he proposes. He refers to the war taxes already imposed in Sir John Simon's emergency Budget, and no doubt he includes these in his estimate of increased taxation of the workers amounting to £150,000,000 a year. But on p. 28 he says:

"Other fiscal devices, including a sales-tax on certain classes of non-necessities, should be capable of finding another £100 million."

Whether he has included some of these "other fiscal devices" in his estimate of increased taxes payable by the workers is not stated. But one thing is clear: whatever the form the taxes take, he takes it for granted that through war taxes the working class will be deprived of £150,000,000, which means *a straight cut of 5 per cent. in its standard of living*. It is good to be reminded of this—which, of course, is quite apart from cuts resulting from increased prices in general.

"*The Relative Rise in the Cost of Living.*" By this Mr. Keynes means simply increased prices which are not met by increased wages, and his estimate of this is £125,000,000, or approximately 4 per cent. of the total working-class income. How does he arrive at this figure? By his usual method—ignoring disagreeable facts, confusing others. At the end of January, 1940, the official cost of living index had risen approximately 14 per cent. Everyone realises that the official index is

an understatement of the real rise in the cost of living for the average working-class family. But not Mr. Keynes. He says (p. 20) that by that date "the cost of living (*seasonally corrected*)" had risen by 10 per cent. Perhaps Mr. Keynes thinks that if a "statistically unemployed" building worker, for example, goes to buy bread for the family, he will be able to persuade the baker that, "seasonally corrected," the 6d. which he tenders in payment is really worth 7d. But by this little bit of juggling, and estimating without evidence that wages had risen "by perhaps" 5 per cent., and then just forgetting a little, Mr. Keynes is able to reach his conclusion that working-class incomes have suffered a net reduction of 4 per cent. through "the relative rise in the cost of living."

And, he says in effect, they must put up with this. On p. 21 he asks indignantly: "Do the workers really claim that they alone should be war-profiters?" And on p. 35 he says that "some rise in the cost of living relatively to wage rates" is inevitable. And on practically every other page he tells the workers that on no account must they ask for wage increases to compensate for rises in price.

Actually, his estimate of a 4 per cent. net reduction in real wages is a complete falsification of the facts. Up to the end of January, which is the date on which Mr. Keynes's calculations are based, some 8 million workers had received increases since the war, totalling about £80,000,000 in a full year. This is less than 3 per cent. of the annual income of the working class, as estimated by Mr. Keynes himself. It is true that there may have been some increases not recorded in the



returns; but, on the other hand, there are the innumerable decreases, owing to changes to a lower-paid job, short time as in the printing industry and others, and the lower rates paid to clerical and other workers who now have to seek new jobs. Therefore the estimate that, as against an increase in the cost of living of 14 per cent., there has been an increase in the wage-rates of certain workers which, spread over all workers, is equal to only about 3 per cent., is approximately correct. But this means that the working class, by the end of January, had suffered an actual loss through "the relative rise in the cost of living," not of 4 per cent., or £125 million as Mr. Keynes tries to present it, but of 11 per cent., or £325 million.

And this blows the whole of his calculations sky high.

It must be remembered that the figures used above are the Ministry of Labour's figures, and that in fact the cost of living for the average working-class family has risen more than the 14 per cent. recorded by the Ministry of Labour. The Barnsley P.A.C., on the basis of local prices, found that the food budget of a worker's family on October 9th had risen by 25 per cent., at a time when the Ministry of Labour's figure of the rise in retail food prices showed only 9 per cent. Something like this is the experience of every working-class household. And apart from the unrepresentative character of the Ministry of Labour's figures, in any case the worker's family is having additional expenses now which are not included at all in the Ministry of Labour's calculation—expenses in connection with evacuation, the black-out, having to buy dearer

articles because cheaper kinds are not available, and so on. Therefore Mr. Keynes's figures are even wider of the mark than has been shown above.

And the position of the working class is rapidly getting worse. Mr. Keynes himself notes that wholesale prices have risen twice as much as retail. There is not the slightest doubt that retail prices will rise further; each month records a further rise, and the increases in gas, electricity, coal and clothing, to mention only a few items which are rising sharply, will only enter the official figures later.

Therefore the whole of Mr. Keynes's arguments, so far as they depend on the cost of living increase being stopped and stabilised at something round 4 per cent. (i.e. the relative rise, the price increase less the wage increase), are based on completely ignoring or deliberately misrepresenting the true facts of the situation.

But Mr. Keynes has another proposal by which he hopes to stabilise wages and prices. It is, however, bound up with his proposal for stoppages from the workers' pay packets, which has first to be examined in detail.

## CHAPTER IV

### COMPULSORY STOPPAGES FROM PAY

MR. KEYNES's third proposal, to stop £250,000,000 a year out of the workers' pay packets, is the very essence of his plan. "Compulsory savings" was the main theme of his original articles in *The Times*,



and all the other proposals are merely the frills with which he decks it out.

What is actually proposed?

(1) That all unmarried workers who earn anything more than 35*s.* a week should have a certain proportion of the excess over 35*s.* deducted by the employer. Either the whole of this deduction or, if the worker is liable to income tax, the balance left after income tax is paid, will be paid by the employer into some friendly society or the Post Office Savings Bank, and "credited as a deposit" in the worker's name. For the unmarried worker earning 45*s.* a week, this means a deduction of 3*s.* 6*d.*, or about 8 per cent. Add this to the 11 per cent. lost, as shown in the previous chapter, owing to the rise in the cost of living recorded by the Ministry of Labour, and you have an immediate reduction in the standard of living of single workers earning 45*s.* of no less than 19 per cent., or 8*s.* 6*d.* For a single worker earning 80*s.* weekly, the deduction is 15*s.* 9*d.*, or 20 per cent; add the 11 per cent. lost through higher prices, and his standard of living would be reduced by 31 per cent., or 24*s.* 10*d.*!

(2) The married workers, with no children under fifteen, fare a little better. They can keep all their earnings up to 45*s.* a week. But at 55*s.* weekly wage, 3*s.* 6*d.* is deducted; at 80*s.*, 12*s.* 3*d.* is taken, which is 15 per cent., or, combined with the 11 per cent. lost through higher prices, means a 26 per cent. reduction in the standard of living of the married couple, or 20*s.* 9*d.*

(3) In the case of married workers with children under fifteen, the position is slightly better, because

there is proposed a 5*s.* allowance for each child under fifteen. (The question of these children's allowances is dealt with in the next chapter; for the moment it is only a question of their relation to the compulsory stoppages.) But at 80*s.* weekly wage, for example, the same 12*s.* 3*d.* is deducted; if the worker has one child under fifteen, he draws 5*s.* allowance, thus losing a net 7*s.* 3*d.*; with two children under fifteen, he loses 2*s.* 3*d.* net.

Anyway, that is what Mr. Keynes proposes.

As for how the stoppages would be made:

"For the insured population the method of collection would be the same as for social insurance. Each insured worker would hold a deferred pay card which would be stamped by the employer. . . . In the case of fluctuating earnings, the proportion of deferred pay appropriate to each pay period would be deferred in the first instance. But this could be adjusted to the proportion appropriate to the average earnings at quarterly or any other convenient intervals" (p. 43).

So that the worker will not only have to rely on the employer to work out his pay, but also how much is to be stopped out of his pay, and how much adjustment has to be made at intervals; while the employer will also take out of the amount stopped the amount that the worker has to pay in income tax—which again means an infinite series of calculations which it will be extremely difficult for the worker to check.

Whatever is left after paying income tax is then deposited by the employer with whatever institution the worker chooses: friendly society, trade union or other approved Health Insurance body, or the Post



Office Savings Bank, carrying interest at  $2\frac{1}{2}$  per cent. The worker will have some liberty: he may draw the money out

"in any case approved by his friendly society or, in the case of the P.O. Savings Bank, by a local committee, as, for example, to meet illness, unemployment, or special family expenses" (p. 45).

Isn't that nice to know? It is supposed to be *your* money on deposit; but if you want it you have to apply for permission to have it.

However, Mr. Keynes explains that:

"In general, the deposits are not intended to be used until after the war, when they would be released by a series of instalments at dates, not unduly delayed, to be fixed by the Government. Meanwhile they should not reckon in calculations arising out of the Means Test or eligibility for old age pensions or the Capital Levy . . ." (pp. 45-6).

The total which Mr. Keynes proposes to stop from the working class each year is £250,000,000. One of the merits claimed for the compulsory savings proposal is that it

"spreads through the community the advantages of security which saved resources afford far more widely than before" (p. 44).

What security would the workers get out of it? Those with incomes of less than 35s., in the case of unmarried men, or 45s., in the case of married men, would have no security, as they are not in the scheme at all. The single worker earning 55s. a week would

have had 5s. 9d. of his pay "deferred" each week, totalling in a year £15. If the war went on another three years he would have £45. Would Mr. Keynes regard this as "security" for himself? It would give the worker a maximum of seventeen weeks at 55s. a week, at a period when everyone, including Mr. Keynes, expects a colossal and protracted slump. In the case of a married worker earning 80s. a week, the weekly stoppage would be 12s. 3d., making £33 in a year; after three years of war, £100—twenty-five weeks at 80s. a week. Is this security?

Of course not. The whole idea that the workers can become capitalists if they will only save up lies behind such a suggestion. And when we go a little further into Mr. Keynes's explanations of what the "deposit" or "deferred pay" is to be used for, we find that it is not for the workers' benefit so much as to save capitalism:

"The appropriate time for the ultimate release of the deposits will have arrived at the onset of the first post-war slump" (p. 46).

Then he explains that if the Government gives permission to release the deferred pay when the slump is coming on, the additional demand thus created will take up some of the slack and keep the wheels of industry going a little longer. And then he adds:

"It will avoid the necessity of raising other loans to pay for unemployment or for public works and the like as a means of preventing unemployment."

In Chapter III it was pointed out that Mr. Keynes's



scheme meant that the poor would be called upon to subsidise the poor; now we find that the poor are also to subsidise the rich—spend their money to keep industry going, and to save the capitalists the necessity of paying for unemployment or providing public works after the war.

Moreover, there is no guarantee at all that the £88 or the £100 or whatever the worker's deferred pay amounted to at the end of the war would still be worth what it was when it was stopped from his wages. As we shall see, Mr. Keynes himself anticipates that there will be "some" rise in prices. No one in his senses can imagine that the rise will not be very great indeed if the war really continues another two or three years. The "savings" may be worth half the amount that was stopped out of wages, as a result of the rise in prices. Moreover, as the Government will determine *when* the worker can draw the savings, he will probably have had to borrow long before he gets them.

It is therefore clear that there is not one good thing to be said for the compulsory stoppages from wages. They force down the workers' standard of living now, and, together with the actual rise in prices, would mean the most drastic cut in the weekly wage drawn. The method of deduction and deposit, with drawings only allowed by permission of a committee, or by permission of the Government after the war, would be intolerable. They would not provide any real security for the individual worker, and their actual function when drawn would be to save the capitalists from having to provide the money for the unemployed or

public works when the slump came. No worker who understands all that is involved would on any account accept the scheme or allow the stoppages to be made if Sir John Simon imposes them by legislation.

It will be all the less likely when he hears that Mr. Keynes regards the whole compulsory wage deduction and children's allowance proposal as necessarily accompanied by his plan for an "iron ration."

Mr. Keynes, it will be remembered, started off by saying that any attempt to make wages keep up with prices was futile, and his compulsory savings plan is intended to prevent the workers having so much to spend that prices rise and there is "inflation." By stoppages from wages, he claims, this can be avoided—there will no longer be "an irresistible force impelling prices upwards." Nevertheless, his scheme is not complete without some measure of rationing and price and wages control. A "free community," of course, wouldn't stand too much rationing; to do away with consumer's choice in favour of universal rationing

"is a typical product of that onslaught, sometimes called Bolshevism, on differences between one man and another by which existence is enriched" (p. 53).

This is a typical product of Mr. Keynes's mind: he attributes to Bolshevism a desire for universal rationing, whereas the Soviet Union is the only large country in Europe in which there is no rationing; and under cover of this false statement he justifies the difference between "one man and another"—between the worker and the millionaire capitalist for example—"by which existence is enriched." It is *this* difference,



by which the existence of the millionaire capitalist is enriched by the labour of tens of thousands of workers, that "Bolshevism" aims at abolishing, not the difference between the man who likes bacon and the man who doesn't.

Mr. Keynes, however, is in favour of rationing if the article is in short supply and is what he calls a "conventional necessary," although he argues that in other cases "allowing a rise in the price of the article the consumption of which we wish to restrict" is a better method.

At the same time, he is not at all in favour of general restrictions on prices. They would lead to the workers' consuming too much, leading to "shortages in the shops." (Needless to say, he ignores the actual experience that *rises* in prices, as with butter and bacon, for example, lead to surpluses in the shops.) Nevertheless

"a significant rise in the cost of living is certain to be followed by a more or less successful agitation for higher wages" (p. 56).

And, as higher wages are the most appalling danger to a "free community," they must be stopped at all costs. Hence the "iron ration." The proposal is, in brief, that "a limited range of essentials," which must be "considerably narrower than the list covered by the Ministry of Labour Index Number for the cost of living" should be selected; that the Government should try to keep the price of these down, by subsidies or other means; and that so long as the price of this "iron ration" did not increase, the trade unions

should not press for any wage increases on the ground that the cost of living had risen.

Note the full implications of this. A very select list is to be made, and the Government will subsidise the capitalists in the industries concerned in order that prices to the workers may be kept down. But other items, always hitherto included in cost of living calculations, and undoubtedly included in the worker's normal expenditure, are to have full liberty to rise in price (and, in fact, will rise faster than ever if a few items are rationed and have fixed prices). But however high they rise, the trade unions are to agree not to ask for higher wages because they have risen.

As a matter of fact, the idea is not new. The Government is already operating it in a slightly different form. Fully realising that the pressure for higher wages to meet the higher cost of living was gathering strength, and that it would become overwhelming if the rise in prices continued, the Government in December adopted the policy of subsidising bread, flour, meat and milk in order to keep their prices down. The cost was £50,000,000, but it kept the "statistical" cost of living from rising too sharply, and thereby eased the pressure for wage increases and enabled the employers to carry through a series of wage settlements which in no way corresponded with the actual increase in the cost of living.

The Keynes "iron ration" is an improvement on this, from the capitalists' standpoint. Subsidies would keep down a few items, which alone would count in the cost of living index; other prices would rise enormously, but even where sliding-scale agreements



already exist the rise in prices outside the "iron ration" would not count. The workers would be completely at the mercy of the profiteers, while the Government would subsidise that section of the profiteers which provides the "iron rations," so that they too would share in the loot. Only the workers would lose.

## CHAPTER V

### FAMILY ALLOWANCES TO KEEP DOWN WAGES

THERE are times when Mr. Keynes is almost honest. These are the rare moments when he is trying to convince the capitalists that an outlay of money which appears to be large is really in the end a saving for them—is really, relatively speaking, quite a small sprat to catch a big whale. One of these moments comes when he opens up the question of family allowances. He says:

"In time of war it is natural that we should be more concerned than usual with the cost of living; and as soon as there is a threat of a rising cost of living and a demand for higher wages to meet it, the question of family allowances must come to the front" (p. 32).

In other words, the family allowances which he proposes are a reply to the demand for higher wages; they are the employers' counter-offer to the workers, in order to save themselves the cost of a general wage increase.

To show what they would save by the Keynes proposal, let us take, not "the threat of a rising cost of living," but the actual officially admitted increase in the cost of living—namely, 14 per cent. Taking the Keynes estimate of £2,910,000,000 as the total income of the people earning less than £250 a year—that is, mainly the workers—a 14 per cent. rise in wages to meet the higher cost of living would mean that the employers' wage bill would increase by about £400,000,000.

The family allowances proposed by Mr. Keynes are 5s. for each child under fifteen, the total cost of which in a year he estimates at £100,000,000. Thus the net saving to the employers if they could induce the workers to accept the children's allowances instead of the wage increase would be £300,000,000. Truly the £100,000,000 thrown to the children is but a sprat.

In this illustration of how the family allowance proposal is intended to work, it is assumed that the employers are paying the £100,000,000. But, in fact, that is not what Mr. Keynes proposes. The State is to pay the allowances. Where does it get the money from? Well, in the table on p. 37 of his book, where Mr. Keynes sets out the general effect of his plan for those with under £250 a year, he shows that he is expecting the working class to pay £150,000,000 a year in increased taxes. In other words, taking the plan as a whole, the working class (including the families with children under fifteen, on whom the war taxes, for example on sugar, bear very heavily) provides the State with half as much again as the



State is then to give the families with children under fifteen. It is a case, not of 9d. for 4d., but of 4d. for 9d. Once again, the poor subsidise not only the poor, but contribute also a little to the rich.

Of course, Mr. Keynes lays great stress on the "social justice" of giving families with children this extra allowance of 5s. per child, arguing that the net result of the scheme is to increase the income of young families with less than 75s. a week. But even this would not benefit these families, if on the other hand, as is clearly the intention of Mr. Keynes's scheme, the family allowance served the purpose of keeping down the basic wage in spite of considerable increases in the cost of living. And for the rest of the working class there would be no kind of benefit at all, but only the depressing effect of the allowances on the basic rates of wages and on any claims for higher wages.

The proposed allowances would, in fact, bring about the most intolerable social injustice for the great majority of the workers; in the long run also for those with children under fifteen. And they would create a position which would not be temporary; they would mean the undermining of the whole basis on which wage agreements have been fought for and won in the past. As each wage agreement came up, the question of modifying it to bring in the "needs test" principle would be raised. It is a principle which the employing class is always trying to establish, so that the working class can be reduced to the basis of the ancient slave: that the cost of labour power to the employer must be the absolutely bare minimum of existence for the

worker. This principle has already been established so far as the cost of maintaining the unemployed is concerned; during the war it has been extended to dependants of men in the forces and to the old age pensioners; attempts are being made to apply it to workmen's compensation rates; and now finally there is the attempt, through children's allowances, to apply it to the wages of employed workers.

In a Socialist state, where the question is to distribute what has been produced in such a way as best to help forward the welfare of the whole people, allowances to children or other adjustments according to needs (such as lower rents for those with lower incomes) have no harmful effects on the general standard of living, but are merely special supplements to it. In a capitalist society, however, such alleged measures of "social justice" as between a worker without dependants and another worker with dependants really cover up an act of the gravest social injustice *as between the capitalist class and the working class*.

If any doubts remain as to whether this is really so, the comments on the question of family allowances which have been made in the capitalist Press should be enough to dispel any illusions. *Labour Research* for March, 1940, reprints a number of these, of which perhaps the most revealing is an extract from a letter to *The Times* (January 14, 1940) from Mr. L. S. Amery, M.P., who is a director of Cammell Laird, the Southern Railway, Marks and Spencer, and other companies operating in all parts of the world. He writes:



"If a system of family allowances were introduced now, it would not only relieve the existing hard cases, but would afford a logical basis upon which a stand could be made against all further wage increases, except to the extent that they are directly justified by a rise in the cost of living."

In other words, the "logical basis" for resisting wage increases would operate so long as the rise in the cost of living did not exceed the equivalent of the family allowance.

It is not surprising that general compulsory family allowance schemes were introduced when the crisis hit Belgium in 1930, France in 1932, and fascist Italy in 1934, *at the same time as general wage reductions were imposed on the workers.*

So that in a period when wages, under pressure of rising prices, are tending to rise, family allowances can be of use to the capitalists in order to reject the claim based on the cost of living; and in a period when the capitalists want to cut wages, they use family allowances to enable the cut to be made greater and with less resistance than if the claims of the family had to be taken into account. This is a warning of the use the capitalists would make of the family allowance scheme, not only at present, but after the war if the workers accepted it now.

But the children's allowance proposal is, in fact, the most attractive bait that Mr. Keynes has to offer. The idea has the support of many philanthropic people, particularly those who want to see some direct payment to the mother. It makes a special appeal to women, who suffer most directly from the burden of

increased prices and the effect of poverty on their children. It has therefore been all the more necessary to show the extremely vicious character of the proposal in its effects on the standard of the working class as a whole.

It should be noted also that, if allowances were given in respect of children, there would be a big drive from the Government and local authorities to cut down free milk, free medical attention and other social services now available to children—perhaps even free education—on the ground that the allowances put them in the position of being able to pay.

## CHAPTER VI

### THE ALLEGED POVERTY OF THE RICH

At several points in his book, Mr. Keynes seems to have been troubled by the fact that a good many people have the idea that if the war has to be paid for, it should be paid for by the rich men who are responsible for it. Therefore he devotes several pages of argument to prove that the rich really can't afford to pay for the war out of income.

Let us examine these arguments.

DA



First, who are the rich considered by Mr. Keynes? He divides the population into three groups—those with incomes under £250 a year, those with between £250 and £500, and those with over £500 a year. There is no hint of the number or total income of the millionaires drawing over £50,000 a year, or of the multi-millionaires drawing over £100,000 a year. There is no hint even of the 100,000 surtax payers, whose aggregate *assessed* income rises even in prosperous years of *peace* to some £600,000,000. No, all of these are just submerged in the group of “those with over £500 a year.” Once again we have the blurring of facts by Mr. Keynes, because these facts would not encourage the workers to accept his scheme.

Anyway, Mr. Keynes estimates, on the basis of detailed figures into which it is not necessary to probe, that the war incomes of those with incomes over £500, after deducting pre-war taxes, amount to £1,220,000,000, or, after they have made voluntary savings which they contribute to the Government, £1,045,000,000. But, he argues, after allowing for all forms of voluntary saving, there will be a deficit in the Government’s budget of £950,000,000. If taxation was imposed on those with over £500 a year so that the whole of their income over £500 was taken from them, this would only produce £620,000,000, whereas £950,000,000 is needed. Therefore, he says, the rich can’t conceivably pay for the war.

The first trick in this argument is best made clear by setting the figures out as under:

	£ Million
War incomes less pre-war taxes of	
those with over £500 income	1,220
Less voluntary savings	175
	<hr/> 1,045
Allow each of the 840,000 households	
concerned, £500, amounting to	420
	<hr/>
Take all the balance left to them	625
	<hr/>

Note that before taking the balance left to them, Mr. Keynes has allowed them to deduct from their incomes £175,000,000 of “voluntary savings.” So that what he allows them is not £500 each, but £500 plus a proportion of these “voluntary savings.”

But what are these “voluntary savings” in Mr. Keynes’s estimate? They are what is likely to accumulate—

“through building societies, life offices, superannuation funds, the undistributed profits of companies (which alone were estimated at £300 million pre-war) and other institutional channels.”

He estimates the total of these savings at £300,000,000, which is on the face of it an absurd underestimate, in view of the fact that one item, in peace-time, came to this amount. Of this total, he assumes that £175,000,000 belongs to those with incomes over £500 a year, and that £125,000,000 belongs to those with under £500 a year.

What are the facts? It is true that the workers



and middle classes (using these terms roughly to indicate Mr. Keynes's groups of those with under £250 a year, and those with between £250 and £500) are the people who put their money into building societies, life offices, superannuation funds, etc. But to regard these as the "savings" of the workers and middle classes when they take the form of the *accumulations* of these institutions is a little far-fetched. Actually, what the workers pay under these headings can be classed as necessary expenditure, part of their cost of living. When an insurance company, as, for example, the Prudential has just done, puts the sum of £5,000,000 into War Loan, this means that what the workers and middle classes have paid into the Prudential exceeds what the Prudential has paid back to the workers and middle classes by £5,000,000. This excess belongs to the shareholders of the Prudential, in fact, and not to the workers and middle classes. True, it is the guarantee that the workers' claims against the Prudential will be met, and in this sense is to the credit of the workers.

But the workers never see it; each year the total put away by the Prudential rises. Actually, of course, the surplus is not "put away" in the form of cash. The money is used by the Prudential to invest in all kinds of things, including Government loans, from which the Prudential draws interest. This interest increases the profit of the Prudential, that is, enables the Prudential to pay a higher dividend to its own shareholders. Because a higher dividend is paid (for last year, 98½ per cent. tax free), the shares of the Prudential are more in demand among the capitalists,

and the price of the shares rises (the £1 share is now worth £27 5s. on the Stock Exchange).

So it is clear that Mr. Keynes is quite wrong in supposing that such accumulations by insurance companies belong in any real sense to the workers; they benefit only the capitalists. Practically the whole of the accumulations of these institutions really belong to the rich, and should be treated as a part of *their* "savings."

Then what about the "undistributed profits of companies," to which Mr. Keynes refers? Certainly all of these belong to the rich. What happens is this: a company makes a big profit (in war years, a very big profit) and could, if the directors thought it advisable, pay a very high dividend. But if the company pays a high dividend, two bad results follow for the very rich shareholders who are likely to be the directors. First, the surtax which they have to pay is increased if the dividend is paid to them and becomes added to their income for the year. But they don't need the money to buy food and other necessities; if it was paid to them all they would do with it would be to look for some profitable investment. Therefore it is much better for the rich directors *not* to declare a high dividend, thereby avoiding surtax (although there is a small extra tax paid by the company on undistributed profits) and at the same time leaving what is really a part of their income for the year in the company which made it for them, where it becomes additional capital and serves the same purpose as if they had drawn it out and invested it in some other concern. That is the first advantage to the rich



directors of not declaring a high dividend even when very high profits have been made. The second is that a high dividend tends to attract the notice of the workers, and to make them realise how much they are being exploited. A low dividend, and the putting away of the rest of the profits in the form of "reserves," helps to conceal the real prosperity of the concern.

Now Mr. Keynes notes, as indicated above, that the undistributed profits of companies alone (without the accumulations of the other institutions he mentions) amounted to £300,000,000 pre-war. Why then does he estimate *all* these accumulations at only £300,000,000? He explains (p. 23) that it might be £150,000,000 higher, but he wants to be on the safe side: he reserves it as "a margin against errors." But what is the real motive for this "margin against errors" when he is dealing with capital accumulations, whereas he does not provide any "margin against errors" when he is dealing with the working class? Simply to divert attention from the huge accumulation of capital which actually takes place, particularly in a war period.

It is too early in this war to be able to give figures showing the huge reserves which, beyond all doubt, are being and will be put away over and above the normal pre-war reserves. But the experience of the last war will be remembered by many readers—the enormous amounts placed to reserve by practically every big company, and the "bonus shares" issued to the shareholders out of these reserves. The "open" reserves of the banks rose by £25,000,000 between 1916 and 1919, and it was freely stated in the Press

that there were also large "secret" reserves. How large secret reserves may be can be illustrated from Furness, Withy & Co., a shipping company, which in August, 1919, issued £2,000,000 in "bonus shares" to its shareholders out of some reserve fund which did not appear in their accounts as a reserve, without touching their open reserves, then standing at £1,800,000. The point is that in this war also there are going to be the same dodges, the same methods of accumulating reserved profits, even if they do not come to light in the published accounts of the companies.

By minimising the amount which he expects to be accumulated as company reserves, Mr. Keynes succeeds in showing how poor the rich are, and how unable they will be to pay for their war. It should be noted, by the way, that in his estimate of the yield from taxes during the war he includes an item of "at least £100 million from Excess Profits Tax even if we avoid any significant degree of inflation." On a turnover of Government expenditure of an extra £1,850 million, this is, to say the least, an absurd under-estimate. The *average* annual amount assessed for excess profits in the last war was over £300 million, on a much lower Government expenditure. Ask any engineer in a factory on war contracts whether his firm is making excess profits. He will tell you precisely the same story as was brought out, for example, by Mr. Stokes in earlier debates on this subject in the House of Commons: in determining the price, deliberate over-estimate of time taken on jobs, of material used, and so on. But Mr. Keynes will have



none of this: his job is to show how poor the rich are, and, as usual, he just ignores facts that aren't convenient for his purpose.

One of his special reasons why the rich must not be taxed too much is the familiar argument that the incomes of the rich are spent on other people, and that therefore if they were taxed too much there would be less money for those dependent on them: there would be "widespread breaches of existing contracts." Where it is convenient for him, Mr. Keynes uses this argument. But are the rich the only people who have "existing contracts" and people dependent on them? Of course not. The workers also have contracts—rent and so on—and they also have dependants. But the objection raised by Mr. Keynes to the taxing of the rich is forgotten by him when it comes to taxing and stopping the wages of the workers, for whom these deductions mean really serious difficulties.

It is quite true that he contemplates fairly heavy taxation of the rich, but the special consideration he gives them is brought out by the figures he gives showing how his whole scheme would operate. The unmarried worker with 80s. a week would be left, after his pay was stopped 10s. 9d. by Mr. Keynes and 5s. by the income tax collector, the sum of 64s. 3d. (this is without counting the indirect taxation he pays for tea, sugar, tobacco, beer, etc., and without counting the loss to him through increases in prices). On the other hand, the man with £100,000 a year, after Mr. Keynes and the tax collector had finished with him, would have left £15,099, or £290 a week. But, of course, the worker will understand how

unthinkable it is to ask a real magnate to manage on less than that, taking into account his "existing contracts" for ex-wives and other hobbies, the number of personal servants he employs to clothe and feed him, his subscriptions to West End clubs and other institutions on which the glory of Britain depends, and so on.

However, having proved to his own satisfaction that the poor rich can't afford another penny out of their yearly income, Mr. Keynes proceeds to destroy the idea that the rich could possibly pay out of capital. He is not against a levy on capital. Oh, no! He even thinks there should be one, provided it is after the war.

But certainly not during the war—there are "great and indeed overwhelming objections to an immediate war-time levy" (p. 49). The main objection he raises is that the rich could only pay the capital levy during the war by handing over assets to the Government, and that the capital value of these would be of no assistance to the immediate financial task. Why not? "Nothing is of the least use now," he replies, "which does not diminish consumption out of current income," and with that he drops the subject quickly, and proceeds to repeat his assertion that therefore it is the working class whose consumption must be diminished.

But there is no need for us to drop the subject. What does the Government need the greatest part of the money for? For payment to suppliers. For payment to the capitalists. If it imposed a capital levy and the capitalists handed over assets (i.e. War Loan or other securities) to the Government, it could



then use these to pay the suppliers with. It is usually estimated that the total capital of the country (including holdings of War Loan) is about £20,000 million. If the levy spared the smaller holders, perhaps £16,000 million would be the capital affected. A 10 per cent. levy, bringing in £1,600 million, would pay the extra war costs for a year, and there would be no necessity for any of the extra taxation, sacrifices or "deferred pay" on the part of the workers. That is the straight fact, and no amount of "overwhelming objections" of a technical financial kind (which, of course, Mr. Keynes and his colleagues could think up in dozens) can alter it.

Then what about his point that a reduction in consumption is necessary, and that a capital levy wouldn't have any effect in reducing consumption?

In Chapter VIII the political issues which lie behind the alleged necessity to reduce consumption are discussed. Here we are concerned to show that it is *a question of policy*, and, moreover, that Mr. Keynes's attempts to prove that a reduction in consumption is in any case necessary do not hold water.

Mr. Keynes's argument runs like this: "we" have to provide for the needs of the war, which are infinite; we can import some of these needs, for which we have to pay mainly by exports, and partly by selling some of Britain's holdings of foreign securities; but the rest has to be produced here, and therefore labour has to be spent on making the needs of the war and not on making the needs of the people.

The point that labour in Britain is in fact not fully employed has already been made. But there is also a

point which bears directly on Mr. Keynes's objections to the capital levy. Mr. Keynes sees British labour being used for (1) war needs; (2) exports to pay for imported war needs; (3) the people's needs—food, clothing, coal, etc.

The reply to this is that it is not at all necessary to export goods in payment for imports. Mr. Keynes himself admits that the imports can partly be paid for by the sale of British-owned foreign securities, and he quotes an authority for the statement that these amount to some £3,700 million. His statement that most of this total could not be realised is nonsense. The securities represent real assets or real claims to exploit labour in other countries and get the profit, whether the exploitation is direct or indirect. The capitalists of the United States would be only too glad to buy out British capitalist interests of this kind. What Mr. Keynes really means is that it would be a bad thing for the future of British imperialism if it sold out its foreign investments.

Now the point is that instead of paying for only a part of "our" imports by selling foreign investments owned by British capitalists, there is no reason why "we" should not pay for all our war imports in this way. What would be the result? That labour, now supposed to be necessary on making articles for export, and therefore not available for increasing the necessities of life here, would be freed from the need to make exports; that coal, textiles, etc., could be produced for the British people and not for export, without in any way reducing the amount of labour available for the alleged needs of war.



Once this is understood, the question of a capital levy can be seen as an arrangement which would take from all capitalists a certain percentage of their capital in the form of securities, which would then be handed over to the capitalists who owned foreign securities in exchange for these foreign securities, which would then be sold abroad and the proceeds used in payment for imports.

There is therefore no real need for a reduction in the consumption of the people; on the contrary, it is, like everything else in capitalist Britain, a question of whether the capitalist class is to "sacrifice" something of its capital and profits or the working class is to sacrifice its health and standard of living.

## CHAPTER VII

### THE "VICIOUS SPIRAL"

ON several occasions in the course of his book, Mr. Keynes warns the public that the only alternative to his plan is "a rising cost of living, vainly pursued by a rising level of wages." This is the famous "vicious spiral," the boggy produced by capitalist economists when the workers ask that their wages should be raised at least high enough to compensate them for the higher cost of living. Mr. Keynes fetches it out of the cupboard and rattles its bones in almost every chapter, but in a chapter called "Voluntary Saving and the Mechanics of Inflation," he brings it right out

into the open and exhibits its machinery in all its horrifying detail.

If any reader is able to keep his head as Mr. Keynes twirls him round the inflationary spiral, he may feel inclined to ask: Who started the spiral? Mr. Keynes has more than one answer to this question, because if he gave the one and only true answer his conclusions could hardly be what he wants to prove.

On p. 55 he writes:

"If the necessary proportion of consumers' purchasing power is not withdrawn from the market, a significant rise in prices cannot be avoided. . . . If, on the other hand, the problem is tackled indirectly by withdrawing purchasing power, there will be no reason why the vicious process should be started by prices being forced up at the demand end."

He goes on to say that the higher cost of imports might be met by Government subsidies, and that there might be some rise of wages for specially low-paid grades of labour; "but," he adds, "the main reason for the development of an acute wages problem would have been removed" (p. 56).

In these passages, which come before his general discussion of the "vicious spiral," the impression he tries to leave on the reader's mind is that the "vicious process" starts by prices being forced up at the demand end, i.e. by the workers having more wages to dispose of than there are goods to buy.

On p. 68, in the course of a lengthy explanation of what causes an inflationary rise in prices, he puts the root cause in this way: the Government takes the main



part of the nation's output for war purposes, leaving only a definite amount of goods for "the public" to buy, valued, say, at £3,250 million at pre-war prices. If the public, instead of saving all its income in excess of £3,250 million, tries to buy things with the greater part of its income, say £3,900 million, then "obviously prices will have to rise 20 per cent. which will equate supply and demand."

Now there is already one trick in this argument, a trick of the same kind as he repeatedly uses. Under the title of "the public," he once again tries to conceal the difference between the worker and the capitalist. And under cover of this, he conceals also the fact that "goods" also have a class market: although the capitalist as well as the worker buys food, the worker does not buy raw materials, machinery, ships, buildings, and other "means of production," which find a market solely among the capitalists.

What is the importance of this to the argument?

Because, without saying so, he assumes that the definite amount of "goods" left for "the public" after the Government has taken its war needs is entirely made up of articles of consumption, and that "the public" spends all its money on trying to buy these articles of consumption, and uses none of it for *new capital*. This is a completely false assumption at any time, including war-time, when profits are running high. But it is on the basis of this false assumption that he sets the £3,900 million which represents the income of "the public" against "goods" worth only £3,250 million.

Let us see how matters really stand (accepting

Mr. Keynes's total figures for this purpose, as here what matters is the *argument*, not the figures).

From figures given by Mr. Keynes earlier, it appears that he estimates the joint income of his two lower groups at about 75 per cent. of all incomes, and the income of his highest group (which for this purpose we will call "the capitalists") at about 25 per cent. of all incomes. If we divide what he calls the income of "the public" in this proportion, we have the following:

Total income which the public has for use	£3,900 million
Of this, workers and middle classes have	2,925 ..
And the capitalists have	.. .. 975 ..

But there are goods available worth £3,250 million, on the assumption made by Mr. Keynes. Therefore the workers could take their money to market, buy with it goods that were really worth the £2,925 million they spend, and still leave a balance of goods worth £325 million. It is perfectly certain that the capitalists could not spend more than that on articles of consumption, however much they gorged and however splendidly they dressed. In other words, any inflationary rise that takes place through too much money being brought to market to buy too few goods has nothing at all to do with consumption; so far as articles of consumption are concerned, prices are not in fact "forced up at the demand end."

If there is any inflationary rise of prices in such a situation, it is due to the fact that the capitalists have been making too great profits and have too much money to spend. In no case would they spend it on articles of consumption; what they are concerned with



is to use it as capital. In normal times they might have extended their businesses with it, put in additional plant, and so on. But in a war situation (and also at other times!) it is much easier and quicker to make money out of speculation in goods that already exist instead of going through the lengthy process of organising the production of more goods. There are also some real difficulties, owing to Government controls of various kinds.

So the surplus profits they have, over and above anything they need for personal consumption, go into speculation in any kind of goods that offer a high and quick return.

Is this an abstract argument, without any foundation in fact? On the contrary. Take cotton, for example. Wholesale prices published in the *Economist* show increases between August 16, 1939, and January 9, 1940, of about 78 per cent. for raw cotton, between 66 and 100 per cent. for yarn, and between 30 and 50 per cent. for cloth. The usual statement that these rises were due to "increased costs" was not even attempted; the financial Press spoke openly of speculation. Certainly Mr. Keynes would have some difficulty in showing that the increases were due to the workers having too much money, and forcing up prices "at the demand end." Another far less important example, so far as its after-effects are concerned, is the case of torch batteries; everyone knows that all kinds of "deals" were being made by speculators during the shortage period, helping to push the price up.

During the last war this process was continuous,

ranging over everything that could be got outside of control (sometimes even of controlled articles). And it will continue in this war.

Then the capitalists also speculate in other things, such as shares on the Stock Exchange, and even whole factories. During the last War there was terrific speculation in cotton mills, and prices were paid for some mills *ten times* as high as their value before the War. It is a mistake to think that this kind of speculation has no effect on prices. When a capitalist has put ten times as much money capital into a factory, he expects ten times the amount of profit. In quoting prices, he therefore adds a far bigger margin than the normal; and in war conditions he gets away with it.

So it is clear that, in so far as it is true that "too much money" causes prices to rise, it is not too much workers' money, but too much capitalists' money that starts the process.

But in this war that is not the only factor. From the very beginning of the war, the policy of the Government (or its Controllers, representing the big trusts) was to bring about a sharp rise in prices. This it did partly by taxes on sugar, beer, tobacco, and partly, as in the notorious case of butter and many other cases, just by fixing a controlled price far above the pre-war price. To argue "theoretically" that an inflationary rise in prices is caused by prices "being forced up at the demand end," when the actual facts are so clear, may be good Cambridge economics, but it will not convince many workers.

In earlier chapters, the point has been driven home that *in fact* Mr. Keynes is wrong even in assuming



that the workers as a whole have had more money to spend, so that even if his argument had been sound (which it emphatically is not), it would be completely irrelevant to what is actually taking place.

At one point in his argument, Mr. Keynes asks: "What, then, is the actual course of events?" And he answers:

"The initial rise in prices will relate to goods which were produced at the lower pre-war price level, and the resulting profits will belong, as we have seen, to the owners of these goods" (p. 64).

This is part of the argument that the rise in prices is due to too much money "at the demand end," but if the statement is taken as a description of "the actual course of events," and not made to depend on the false assumption that the price rise was due to too much money at the demand end, it is correct. *The initial rise in prices has nothing to do with the workers having too much money.* It is the deliberate act of the capitalists, in many cases acting with and through the capitalist Government; and the resulting profits, not wages, help to push the prices up the next round of the spiral. What makes the spiral "vicious" is not wages, but profits—capital in its triumphant hunt for greater and greater profits.

The attempt to show that what makes the spiral vicious is the workers' demand for higher wages because prices have risen has no basis either in theory or in fact. Like so many other of Mr. Keynes's arguments (though, to do him justice, he did not invent the "vicious spiral" argument), the whole theory is merely

designed to deceive the workers into believing that to ask for higher wages is "futile," and by this deception to save the capitalists from what Mr. Keynes is obliging enough to describe as "an acute wages problem." And once he has deceived the workers on this point, it is easy for him to deceive them on all the other points involved in his scheme: "deferred pay," because if they drew their pay and spent it, "this would start the vicious spiral"; the "iron ration," on the basis of which they would pledge themselves not to ask for higher wages; and so on.

Mr. Keynes makes great play with the fact that in the last war the cost of living rose steadily, with wages also rising, but always lagging behind some six months or a year, and in this way never catching up with the rise in prices. But what does this show? Merely that the workers did not fight hard enough or soon enough for adequate wage increases, with the natural result that the employers were always making further abnormal profits. The "vicious spiral" argument played its part then, just as the employers and their economists are trying to use it now. And the fact is that wages are now lagging behind prices, in spite of some wage increases in certain industries, by a matter of 11 per cent. or more. If the most determined efforts are not made by the workers to put this right, the position will rapidly become more intolerable. The "vicious spiral" argument is intended by Mr. Keynes and others to persuade the workers to submit to this intolerable position. As we have seen, the argument is itself "vicious," and must be rejected.



## CHAPTER VIII

## WHAT THE KEYNES PLAN REALLY MEANS

IN the preceding chapters the proposals and the arguments put forward by Mr. Keynes have been examined in detail, and the threat to working-class standards exposed. In this concluding chapter it is necessary to widen the issue, and to show that this threat does not only come from the Keynes plan, but from all forms of the policy in relation to the working class which the Government and Big Business intend to carry through. The Keynes plan is a try out in one direction; but there are many other ways of achieving the same result, and some of these ways are already in operation.

On December 6, 1939, Sir John Simon addressed the Council of Industry—the joint body representing the employers' organisations and the General Council of the Trades Union Congress. His speech followed the lines of the Keynes arguments—the danger of inflation if wages rose, and the need for sacrifices on the part of the workers in order to avoid the vicious spiral. Since then both groups in the Council of Industry have had before them a document embodying these points, saying that it is impossible to maintain the pre-war standards during the war, laying stress on the alleged necessity to reduce the consumption of food, clothing and other commodities, and urging that the workers should save out of wages and lend to the Government.

The necessity of sacrifices has been repeatedly spoken of by Labour and trade union leaders. Therefore, although the General Council of the Trades Union Congress has not officially committed itself to support the Keynes plan, the fact is that the trade union leaders accept the war and accept the fundamental argument of the Keynes plan—namely, that the workers must make sacrifices, and therefore discussion ranges only on the question of what form the sacrifices are to take, whether the Keynes proposals are sound, or whether some other proposal would be better, and what is the best or easiest way of persuading the workers that a surgical operation is necessary.

Mr. Bevin, for example, attacked the Keynes plan in a speech at St. Austell, Cornwall, reported in the *Daily Herald* of March 29, 1940. But on what grounds? According to the report, he said:

“We have the proof that all our finely balanced negotiating machinery is standing the test of war-time conditions. Then we get professors without experience or understanding of the reactions likely to be produced by their advice seeking to promote fancy schemes. Their schemes are likely to jolt the industrial machine, endanger production, and result in serious disturbances and strikes at a critical moment.”

In other words, Mr. Bevin objects to the Keynes plan because he thinks it would cause “serious disturbances and strikes,” whereas in his opinion what has to be done can be done by the “finely balanced negotiating machinery,” without any such reactions among the workers. It is, however, by no



means clear whether Mr. Bevin disagrees with Mr. Keynes as to what it is that has to be done.

Meanwhile, the "Lefts" are performing their usual part of helping the Rights by preparing the ground. The working class instinctively opposes the Keynes plan. The Labour and trade union leaders are in fundamental agreement with the general idea, but dare not say so. The "Lefts," however, can come out into the open and try to make the plan popular.

The *Tribune*, for example, although disclaiming responsibility for the views expressed, nevertheless published (March 1, 1940) an article by "An Economic Expert" calling for "either direct taxation of workers' earnings or compulsory savings on the Keynes plan." In the *Tribune* of March 29, 1940, Mr. G. D. H. Cole assures us that Mr. Keynes is moved by the highest motives, and recommends his plan subject to "minimum safeguards." Incidentally, Mr. Cole specially favours the children's allowance proposal, arguing that the allowances can be used

"to help millions of the poorest people whom the trade unions have never yet been able to reach or effectively to help."

But who are these "poorest people"? The low-paid, unorganised workers are in the main the mass of women and young workers in engineering and light industries, agricultural workers, clerical workers and shop assistants. What a pitiable approach to a serious working-class problem Mr. Cole makes in suggesting that family allowances are the only way to help these! Instead of family allowances, with their menace to *all*

wages, both high and low, surely any working-class policy must be for the trade unions to carry out a fight for higher wages all along the line, thus drawing millions of unorganised workers into the trade unions, raising the whole level of wages, and rousing the class consciousness of both organised and unorganised. In fact, Mr. Cole's argument is one more proof of the real purpose of the allowances proposal—to dampen down the struggle for higher wages.

Then we have *Forward* (March 16, 1940) publishing an article by W. S. Cormack, "frankly" admitting that, with some modifications, he regards the plan as "much to be preferred" to alternatives. *Reynolds News* (March 10, 1940) contained an article by H. N. Brailsford swallowing the plan hook, line and sinker. He writes:

"Here is a plan which promises, not merely to pay for the war, but to carry us in the process past several milestones on the road to social equality."<sup>1</sup>

And the *Co-operative News* (March 9, 1940) published an article by "A Special Correspondent" describing the Keynes proposals as "the only sound and practical plans for war finance so far put forward," and saying that, in the absence of better plans, "these should be accepted by the whole Labour movement."

It is obvious that with this type of approving reference being published in newspapers which many

<sup>1</sup> Some readers will remember how Mr. Brailsford some years ago also swallowed "Fordism," and thought that it opened a new era of prosperity for the working class.



workers regard as their own, in addition to the propaganda for the Keynes scheme in the general Press, on the wireless and in many other forms, there is a serious danger of some or all of the Keynes proposals being carried through without meeting the determined opposition of working-class organisations.

At the same time, it is not enough for the working class to reject and strenuously fight against the particular ways of lowering the workers' standards of living which Mr. Keynes has put forward. The policy of cutting down the workers' standard of living under cover of the war did not originate with Mr. Keynes; he has merely decked out the policy in what he thinks is a sufficiently attractive garb to make it acceptable even to the workers themselves. He ignores and distorts many facts in order to make his case plausible, and at first sight it may seem strange that a "distinguished" economist should adopt such methods. But there is one thing that he understands very clearly, and expresses in various ways throughout his book: and that is, the absolute need for the capitalist class to force down the workers' standard of living.

Quite early in the war, Sir John Simon introduced a budget which raised indirect taxation—mainly falling on the working class—by £67 million, as well as increasing the income-tax burden on the workers. But even earlier, in the very first stages of the war, the deliberate fixing of controlled prices considerably above the pre-war level was a direct cut at the workers' standard of living. The suspension of housing and other municipal works, the virtual suspension of education and of many of the health services, were

further cuts at the conditions of the working class. All these were not "plans"; they were *acts*. Excuses and "plans" only began to develop when the workers, suffering from the deterioration in their working and living standards, began to press for higher wages to meet the higher cost of living and for the restoration of normal social services.

Then Mr. Keynes and other economists and writers stepped in with elaborate arguments intended to convince the workers that it was not in their own interests to have higher wages; the "vicious spiral" argument was dug up from where it had been buried after the last war. Sir John Simon and Mr. Chamberlain, as well as bank and company directors, assured the workers that the rich were already bearing almost intolerable sacrifices, that nothing more could be taken from the higher incomes without the most appalling catastrophe for British civilisation, and that therefore the workers must grin and bear what was coming to them. The financial Press told the same tale, and called for more drastic reductions in the workers' standard of living, using the argument that the French workers had already suffered the most drastic reduction of earnings, with new taxation and lengthening of hours, and that therefore the British workers must follow the same road.

In these circumstances, with attacks on the workers' conditions already in operation, and the ground being prepared for general attacks all along the line, what was the attitude of the Labour Party and trade union leaders? Not *opposition to the whole idea of sacrifices by the workers*, but a pitiful pleading for "equality of



sacrifice"—as if there could ever be equality of sacrifice as between the rich and the poor. Under the pressure of their members, trade union leaders were compelled to open negotiations for wage increases to compensate for the rise in the cost of living; but they readily accepted increases which in any case only began to operate after the loss through higher prices had been suffered by the workers for many weeks; increases which were quite inadequate even at the time the agreements were made, and which have been rendered ridiculous by further price rises since.

The attitude of the trade union leaders on questions arising out of the war is very well illustrated by a statement issued in *Industrial News*, the Press bulletin of the Trades Union Congress, on January 16, 1940. The statement said that the General Council of the T.U.C. had been giving preliminary consideration to the question of voluntary savings, but that before going further into the matter they had asked for two pledges. First:

"They have asked the employers to agree that if an organised drive for voluntary savings is made by the trade union movement, and if as a result many workers acquire war savings certificates, war bonds, etc., this fact shall not be quoted against the workers in wage negotiations in the future."

Surely the employers would give this "pledge"? Why not? They know very well that the "quoting" of a fact does not decide wage negotiations; and they know that what is important to them in the workers adopting a policy of savings (voluntary just as much

as compulsory) is that by this means the workers *accustom themselves to a lower standard of living*, and therefore do not even raise the question of higher wages.

The second pledge asked for by the T.U.C. was from the Government:

"From the Government, they have asked for an undertaking that in similar circumstances, workers who have been able to accumulate £500 in this way should not be penalised by the operation of any future Means Test if they had to enter a long spell of unemployment during the post-war period."

Again, the Government would gladly give such a pledge, leaving the job of breaking the pledge to the future government. But what a demand for the leadership of the British organised movement to put forward! A demand which accepts the Means Test as a permanent part of the British Constitution, and only wants to secure exemption for workers who have been "patriotic" enough to lend money to the Government. And then the suggestion that workers may be able to accumulate £500 in this way! How many years of war was the General Council estimating for?

But the blunt truth is that those who support the war inevitably find themselves adopting an attitude on all questions arising out of the war which is the very opposite of a working-class attitude. In accepting the war, they accept also the argument that the working class must make sacrifices in order to enable the war to be carried on. They approach the Keynes plan and any other proposals, as well as the *acts* of the Government and the employers, from the standpoint of



whether these proposals and acts are the best way of imposing the sacrifices which they consider to be necessary.

Therefore the question of the war itself cannot be left out of an examination of the Keynes proposals.

In his final chapter, Mr. Keynes himself shows that there is not much to choose now between Germany and France, so far as the conditions of the workers are concerned. He describes "how far-reaching is the French control over wages and the conditions of labour," and argues that, in comparison with actual conditions in Germany and France, his own proposals "are exceedingly mild (and may well prove much milder than we can afford)."

But what does all this imply?

That the employing class in France has already gone a long way towards subjecting the French workers to the same conditions as the Nazi régime has imposed in Germany, and that the British worker should take a small step now along the same road, with other steps to follow as the war goes on. And it is not only the proposals made by Mr. Keynes that imply this. It is the very essence of the policy of the Government in relation to the working class. Parts of this policy are already in operation, such as the reduction of real wages through price increases, the systematic lengthening of hours, the virtual suspension of the Factory Acts, the closing down of house-building and the restriction of education and other social services.

If the war is allowed to continue, the French employers and the French Government will make

conditions in France grow even more like the conditions in Germany, and the British employers and the British Government will make conditions in Britain grow even more like the conditions in France. All this is an essential part of the war aims of the ruling class in each country. The war which is alleged to be for the purpose of putting an end to fascism is in reality not only a war against the German rivals of British and French capitalism, but also a war on the working class, to enable the British and French capitalists to spread fascist conditions to France and Britain.

This is the essence of the Keynes plan, and of the actual moves which the Government has been making for some time. Mr. Keynes himself brings out that the principal measures taken in France (as also in Germany) are: (1) the fixing of wages by the Government and prohibition of any increases; (2) the lengthening of hours; (3) taxation of wages; (4) prohibition of changing jobs without permission.

What is the position in Britain? We have: (1) the Keynes proposal that the trade unions should agree not to ask for higher wages, and talks between the Government, the employers and the General Council of the Trades Union Congress on the same point; (2) the lengthening of hours and the virtual suspension of the Factory Acts; (3) the Keynes proposal of stop-pages from pay and other proposals for taxes on wages; (4) the Control of Employment Act, and the Industrial Census which is now to be compiled.

Then there is the systematic extension of the principle of the "Means and Needs Test" from the unemployed to the dependants of men in the armed



forces, then to the old age pensioners, then to workers receiving compensation (in the form of extra payments only to those with dependants), and finally, it is hoped, to employed workers themselves, through family allowances on the Keynes plan or in some other form.

What the working class is faced with is not some temporary, passing "sacrifices," but the determination of the employing class, with the help of the Labour leaders, to bring the working class down to a fodder basis, to reduce the so-called "free community" into a slave state.

Why is this necessary for British capitalism? The report of the Unemployment Insurance Statutory Committee, issued on March 14, 1940, speaks of the severe unemployment which is to be anticipated after the war. The big bankers and industrial capitalists of Britain know very well that, whatever the result of the war, there will be a terrible economic slump after it, with the most intense competition in the world's markets and a new intense rivalry with United States capitalism. In order to prepare for this situation, they are determined to take the fullest advantage of the war situation, and the official Labour support for the war, to drive down the standards of living of the workers, so that British exports can compete with the products of United States labour, and at the same time profits can be maintained at a very high level in Britain itself, to provide for subsidies to exports. What Big Business and Mr. Keynes are concerned with is not really how to pay for the war—they know all about that, and don't trouble to argue it—but to

make the workers pay for the war and the future trade war by surrendering the standard of living which they have won in a century of class struggles.

The real issue before the working class is not whether they would prefer to be bludgeoned by the Keynes plan or by Simon's Budget or by Mr. Bevin's "finely balanced negotiating machinery." The real issue is whether they will continue to support a war which is every day becoming more obviously an imperialist war on both sides, a war in which the ruling class in each country is trying to destroy its rivals and at the same time to force down the workers' standard of living, destroy or hamstring the workers' organisations, and establish a fascist or semi-fascist control over the people; a war in which, not only the workers of Britain, France and Germany, but also those of the neutral and colonial countries, are faced with poverty and suffering; a war in which there will be no liberation of the peoples, but only heavier oppression; a war which the British and French ruling class are doing their best to turn against the Socialist Soviet Union.

Those who accept the war are on the slippery slope to accepting the whole policy of the employing class, with its disastrous consequences for British working-class standards now and in the future.

Those, however, who do not accept the war, but regard it as an imperialist war which is not in the interests of the working class, will see in the Keynes plan only one of the many ways in which the attack on working-class standards will be carried further the longer the war is allowed to continue. Instead of accepting sacrifices, they will make a resolute fight in



defence of their conditions, in whatever way they are attacked. Instead of worrying about how to pay for the war, they will fight to bring the war to an end. Instead of looking forward to "deferred pay" after the war, they will make up their minds to end the whole sequence of economic slump, trade rivalry and war, by ending the rule of the employing class and bringing real security to the workers of Britain.